Research Paper | Commerce | E-ISSN No : 2454-9916 | Volume : 8 | Issue : 6 | Jun 2022

TURNAROUND OF THE STOCK EXCHANGE

Manya Mittal[1], Trish Gupta[1], Mudit Jain[1]

[1]Shri Ram College of Commerce

ABSTRACT

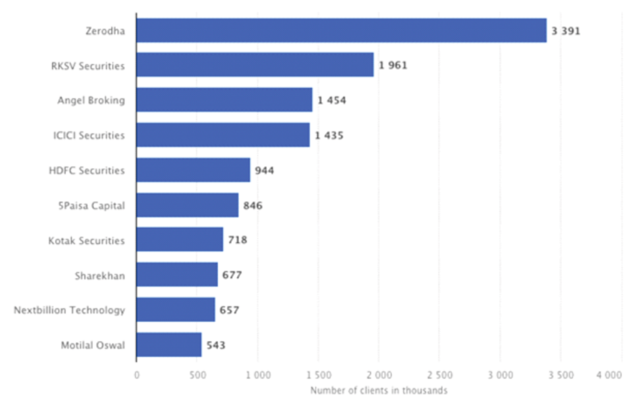
The following research has been conducted to ascertain the rising trends of the stock market especially after the Covid pandemic. The rise in the number of brokerage companies and the ease in the opening of accounts along with the increasing flexibility of rules and procedures have all brought a revolution in the stock markets. The various marketing strategies used to garner investors and the rising trends of the IPO are some of the important concepts that have been explained thoroughly. The research paper also sheds light on investor education and its transformation and how various entertainment sources like movies and TV shows have contributed immensely towards the promotion of investment education. The basic idea of how the markets have changed and how the participants both the investor as well the fund raiser have transformed their thinking are well discussed in the subsequent paragraphs.

KEYWORDS: Manipulation, Financial Knowledge, Investor Education, FinTech, Initial Public Offerings, Brokers, Marketing, Rules and Regulations, Savings, OTT Platforms.

If we go back a few years, the stock market was something that was associated with gambling and betting, and this comparison was also not wrong because the stock market was manipulated, and fraud persisted. Financial knowledge was not needed to make money; all you needed was luck. But with changing times, this notion has also changed, and so has the mentality of the people. After the 1992 crisis, no one would have thought that the Sensex would hit 60,000 in the next 30 years but better regulation and implementation of rules have made investing in stocks easier and have helped to stop the comparison drawn between gambling and investing. Business and investment knowledge is the only way to succeed and progress; this is the idea being popularized by many. Though the concept has changed a lot, the thought process of most of the population is stagnant, and they don't trust the stock markets, as only 51.5 million people have a Demat account in India. This is a deficient number as compared to other countries. Still, the number is increasing rapidly, especially during the covid pandemic when people saw investing as the only way to survive during the lockdown. In general, the stock market has changed and has revolutionized for good and is garnering investors towards itself. So what are the reasons behind this turnaround, and what factors have helped change the image of stock markets is a topic of great discussion.

From the very beginning, stock markets have been infamous for various manipulations done by the big fishes of the market. Various scams have also happened in the markets where the people have tried to use the loopholes to rig the prices of shares even after establishing SEBI (Securities and Exchange Board of India), the regulatory body of the stock market. As a result, people were never very comfortable entering the Indian stock markets. Whereas in the U.S., more than 50% of adults trade in markets, making it a more fair market but in India, till some time ago, a very minimal chunk of the population invested in the markets. Therefore, Indian markets were never controlled by the market sentiment of the ordinary people. This led the companies to experience unhealthy trading, which ultimately decreased the company's image. But, with the increase in investor interest in India, the situation is changing. Earlier, a large chunk of the market was being controlled by the Foreign Institutional Investors (FIIs), but now, since the retail participation is increasing, they are acting as a counterpart to the FIIs transactions. This helps to ensure that there is more healthy and fair trading of a company, and the average investor also doesn't suffer due to the inequalities in the system.

For investing in the stock market, a person must have a Demat account opened with a broker. The overall number was less previously. But during the pandemic, the overall transaction in the securities market has increased as a result, the number of Demat accounts was bound to increase. But let's see what motivated the investors to open Demat accounts. The answer to that is the easy access to the stock market and quick e-KYC procedures that brokers are following due to advancements in technology. Earlier, one thing that discouraged people from coming to the markets was the long and delayed procedures being followed. Also, people had to keep the physical copy of their shares which became cumbersome. But now, due to the advancement in technology, orders can be placed easily through mobile, and the activity has become as simple as placing an online shopping order. Leading to all this, around one crore Demat accounts have already been opened in FY22 in India, and the count is still increasing. The graph clearly depicts the huge increase in the number of active clients in top brokerage firms in 2021.



Source: statista

Adding onto it, the emergence of new startups has helped reduce the complexities in the trading process. Many banking companies like ICICI, State Bank of India, Kotak Mahindra, and HDFC are providing their customers not only premium banking services but also providing them the facility to open Demat accounts and trade from the comfort of their homes. Almost all upcoming banks are making sure to include the trading of securities as a part of their grand banking service plan. IDFC bank, a relatively younger bank founded six years ago, provides Demat services to its clients, thus highlighting the power of stock markets. Also, new startups like Zerodha, Upstox are making their way in this stiff competition. They are working on less profitability in terms of brokerage charges and give the same basic service of buying and selling at attractive prices. All the charges that were earlier hidden have now come out in the open. Basically, the consumer has got a basket of companies to assist them in investing in their preferred stocks. Zerodha, founded in 2010, has come into the limelight recently and has become the fastest-growing brokerage company in India, with around a growth of two lakh customers per month. The company, as of October 2021, had seven million subscribers, which is a considerable amount. Then there are old brokerage companies that are still in the market and competing with the banking firms and the new startups. Some of these are Motilal Oswal Financial Services and Angel Broking that have a legacy of many years. The new startup companies have overtaken these companies' customer base, thus creating tough monopolistic competition. Angel Broking had 6.52 million subscribers as of October 2021, which is less than Zerodha, indicating that people want to opt for a company that provides cheap services and are not bothered much about the legacy. Their reduced profitability framework drives others to reduce brokerage plans and offer more services at the same price, thus increasing the number of Demat accounts and making investment easier. Not only this, mobile wallet companies like Paytm have also entered the ring and are trying to hijack the customer base. Paytm Money app has been created to supply not only financial information but also promote healthy investment practices. The company was founded in 2017 and has gained enormous success in a few years. The company has a clientele base of more than 6 million customers. All these new emerging companies have

become a thorn for the old-established players because they are not only losing profits but also their customers. To survive, they have to provide the same services and have to cope with any kind of innovation or development that takes place.

Investors are getting attracted to the stock markets because all the trading complexities have been reduced. Even if you don't want to use a phone, you can always use the internet at a cybercafe to access the markets anytime and anywhere to keep regular track of your investments. The flogging of Dalal street with a massive crowd like the one everyone saw in the Scam 1992 series does not take place anymore because trading now takes place at the click of a button. Regular trading updates are provided over email and text messages after the trading ends for a particular day. Not only the brokerage companies have become technologically advanced, but also the exchanges have changed themselves with time. Timely notifications are given not only related to contract notes but also related to frauds and malpractices. Proper investment information is also available on many websites, and investing your savings has become an altogether easy task. Another aspect that is making people more inclined towards the stock market is the aspect of less documentation. Gone are the days when you had to visit the exchange to open an account physically. Nowadays, all you need is a mobile number linked with an Aadhar card, and a PAN card to start trading. It takes less than 30 minutes to open an account if you have the proper resources. Upload your photo and e-sign, and you are good to go. Adding to this, despite everything getting shifted to the online mode the transparency has increased and the scope of frauds has become negligible. The companies keep the personal information of clientele safe, and they are spending more and more on improving the customers' cyber security. Moreover, one never hears about a wrong order getting placed online because the companies are launching their products in the markets after rigorous testing and ensuring that all gaps are covered.

As a part of their responsibility towards society, the companies also make sure that people enter the stock markets only after having the correct information. As a result, the companies also offer mock trading platforms that allow people to trade using virtual cash. In this system, the market operations are normal, but the only difference is that you don't need funds for it. This allows many young as well as new investors to practice before actually entering the market with their own money. Platforms like MoneyControl offer a chance to the blooming traders to test their financial knowledge and skills using virtual cash. Then after they have adequate experience, they can venture into markets using their capital. This way, the new entrants can avoid getting exposed to the risks encountered at the initial stages. Also, they deter from entering into wrong positions because they learn the ability of fund management and risk-taking. This pilot testing helps them sharpen and enhance the already possessed skills, and mostly these virtual trading platforms are free to use and hence are more pocket-friendly. Earlier, people only believed in investing on their own without taking any professional/expert advice before investing. The result was that a majority of them made losses and then stopped their journey. But, with increasing awareness, the demand for professionals as well these virtual platforms is also growing. Thus they are being used extensively nowadays, as a net practice session.

With online education becoming the new normal, there was an enormous number of courses and online teaching platforms that emerged. There was an ultimate growth of the e-education system all over the world. And stock market educators were not behind in this race. Startups, YouTubers, established education institutes, and individual influencers- all saw the dire need amongst people to save their money, earn huge interest, and find sources to earn online. Hence, they grabbed the right opportunity at the right time. Everybody began to come up with their courses, live classes, websites to educate people, platforms with simplified stock analysis, and a lot more. The most upcoming Indian youtube channels for the same are Finology, Elearn markets, etc. They have built a series of episodes from very scratch to teach people. These courses gained attraction and helped viewers gain deep insight into financial knowledge. And these businesses, in turn, found it as an opportunity to expand their customer base and make money out of it. Moreover, there are websites run by corporate financial institutions that develop short courses, articles, news pieces to keep people updated.

Besides primary education, another thing becoming essential today is the financial knowledge that one must have to manage their finances. Therefore, with the increasing interest and demand, new and innovative financial instruments are coming into the market with mouth-watering returns. Mutual Funds are one of the examples where people are investing their money. Mutual fund houses have become very innovative, and they are offering several plans for their investors and making it easy for them to make whopping returns. Additionally, Exchange Traded Funds (ETFs) are gaining popularity among investors. Even though a lot has to be explored in this field compared to other countries, the numbers still look promising. The increased attention can be attributed to the low-cost and well-diversified nature of ETFs. Among ETFs, Nifty BeEs (Benchmark Exchange Traded Scheme) are also gaining popularity. These are exchange-traded funds that aim to offer returns similar to the S&P CNX Nifty Index. They are being traded on NSE just like any other share. Moreover, the returns from Nifty BeEs are in coherence to S&P CNX Nifty. Hence there is no fund manager bias. Moreover, their easy liquidity feature makes them an attractive option to invest in. In and all newer instruments are being developed to extract the maximum returns.

You might be wondering that people are getting attracted to the stock markets only because the process of KYC has become easy. The brokerage charges have also become transparent, and there is a great deal of variety to choose from. Moreover, the competition among the companies is helping the consumers get a good deal. But there is one more factor driving people like honeybees to this honeycomb, and that is the increased listing of companies on stock markets. Companies like Zomato, Paytm, Nykaa, PolicyBazaar that one comes across every day are making their entry into the stock markets very quickly, and they too are enjoying a huge customer base not only on their apps but also on their stocks. Their Initial Public Offers are enjoying great responses as they are getting oversubscribed many times, but what is driving this confidence? One reason is that if someone uses a particular app daily, they know how addicted they are to it for the services it provides. A herd mentality is being followed where everyone is ready to take risks considering there would be someone to indemnify for their risk. This motivates them to capitalize on the opportunity by investing in that company and becoming a part of its future. Even if they know that the company is making losses, they always know that the customer base is ever-expanding. Someday or the other, the profitability aspect will come in because they trust the business model. As a result of this trust, Burger King's IPO was subscribed 156 times, Zomato was oversubscribed 38 times, and Nykaa was oversubscribed 83 times. The issue size of Zomato was humongous such that the start-up made its debut directly in the large-cap segment. As a result, many other companies and new startups are lined up with their IPOs because they also want to capitalize on this trust. Delhivery and Ola are some big names that are getting themselves ready for mega public offers. This way, the entrants in the market are increasing rapidly because they are confident about the daily service providers' progress and want to finance their future.

Due to this trust, around 36 IPOs have already been listed on bourses till August 2021, with a cumulative size of around Rs. 60,300 crores and another 70 IPOs are lined up to be listed by the end of this year. During the current period, there is a very encouraging environment, the greater outlook is positive, various policy frameworks are in favor, the secondary market is breaking all records, positive investor sentiment, ease of investing in IPOs, active institutional investors, traditional investment sources becoming less attractive, promising Indian IPO history, and most importantly, a recent trend of mind-boggling listing day gains is acting as the cherry on the cake. The typical ideology behind the company entering the primary markets is to raise some fundings. Companies want perpetual access to capital and enter the markets considering that they are entering into a different space. Investing has become a sub-culture in India. Therefore, there has been a lot of buzz about IPOs in the market because everyone fears missing out on the opportunity.

Not only this, but SEBI has been making procedures a bit easy for investors and companies by easing the various IPO-related norms. For instance, SEBI has eased out the pre-IPO shareholding lock-in period. Generally, the issue that arose in the past was that the promoters and the investors could not liquidate their pre-IPO securities during this lock-in period. Hence, investors could not square off their position and receive the value of their funds by liquidating them on the stock exchange for an extended period. To provide relief on this issue, SEBI reduced the lock-in period for the promoters and for all categories of investors. Furthermore, to provide additional support to the companies, investors, and other stakeholders, SEBI has amended a few other rules and regulations, including business responsibility and sustainability reporting, delisting of equity shares, minimum public offer requirements, and many more. Additionally, SEBI came out with an investor charter that aims at protecting investors' interests. The charter includes the rights and responsibilities of investors and dos and don'ts of investing in the securities market. SEBI has also proposed a limit on the money raised from IPOs that startups can use for mergers and acquisitions to ensure investor interest. However, the limit won't be applicable if takeover targets are explicitly specified beforehand. Therefore, it is evident that the regulator is trying to take the necessary steps to ensure that everything is transparent and fair.

Moving forward, another factor that is driving people towards stock markets is the prospect of investing in other markets. The reason behind investing in other markets is just better returns available in those markets. But there have always been many issues while investing in these markets which discouraged the investors. Earlier, if a person sitting in India had to invest in the U.S. market, he had to undergo a lot of cumbersome and ambiguous paperwork. Due to lengthy procedures to be followed, everyone did not prefer investing in other markets. Moreover, the broker's charges were so high that there was not much incentive to invest there. Around 15-20% of the amount invested was being used to pay the charges, making it difficult for the outside investors to make staggering returns. For example, if a person wanted to invest Rs. 20,000, then the final amount that would be invested in the markets would be around Rs. 17,000. Moreover, the dynamic exchange rates created a lot of confusion, and investors ended up paying more. But, with the advancement in technology, things have started getting easy. Now, in India, we have many brokers that allow their clients to directly invest in U.S. markets with minimal charges. Therefore, with the changing situations, more investors have also started investing in markets of other countries.

Furthermore, a massive increase in advertisements and the social media presence of brokerage companies has brought the subject of stock exchanges into the limelight. The pandemic struck in 2020 brought not only negativity and depression

but also offered new opportunities. And stock market awareness was one such opportunity. Stock markets became the topic of global discussion and started their ultimate revolution. All the social media apps like Instagram, Snapchat, and Facebook and news channels like NDTV, Aajtak were flooded with advertisements of stock markets. Brokerage apps and online courses on gaining financial knowledge on stock markets became the next big thing. Going forward, let's talk about a few top broking firms in India and how their advertisements have changed the entire stock market—starting from one of India's most prominent stockbrokers, Zerodha, with over 2.5 million users in India. Although the founder, Nikhil Kamath, believes in word of mouth as the most successful marketing strategy. However, considering how important it is to build a digital presence and come up with something that stands out, he came up with varsity and then pulsed to give viewers everything under one platform. These are the sites that keep a person updated about all the current affairs. Now let's delve deep into the marketing strategies of Upstox. Upstox was one of the lead sponsors of IPL, the most loved and watched Indian cricket series. The 145-crore three-year contract brings the T20 tournament's sponsorship pool to an all-time high. 'Start Karke Dekho ', Upstox's Indian Premier League video campaign, strives to inspire more financial involvement in the country by emphasizing the significance of merely taking the first step. The ad includes a series of movies highlighting how investing in Upstox is more effortless than investing in daily conditions. For each section, the campaign was tailored accordingly. An exciting and attractive marketing strategy area was spotted at the right time by Angel broking, One of India's upcoming stock brokerage companies. The firm came up with a platform, Amplifier, in association with influencers. The right question in everyone's mind is how these two significantly different things are related to each other. The answer rightly lies in the creativity and innovation of the R & D department of the company. Their philosophy was based on the fact that the economy suffered a hefty loss with the banning of TikTok. Influencers on this platform were hit hard. So, they targeted this market and collaborated with them on this platform.

Likewise, the incoming culture of binge-watching gifted by Covid 19 helped boost the stock markets with new investors. Country-wide Lockdown helped all OTT platforms to gain mass viewership, and the entertainment and media industry saw this as an opportunity to provide people with some valuable and exciting watching experiences. One of the biggest hits was the Scam Of 1992: The Harshad Mehta Story, ten-episode series that streamed on SonyLiv. This blockbuster hit broke many records and became a must-watch show last year. Such a series interested people and sparked a ray of interest to know more about the stock market in detail. In the past, there have been many shows and movies based on financial knowledge, mainly stock markets like The Wolf of Wall Street, The Big Short, Trading Places, Margin Call, amongst many other top hits. According to advertising and media outlook, there are over 4.23 million TV users globally. Thus, such movies and series ultimately become the key source to reach a vast audience. The enthralling content that makes the viewer think on their toes about what will happen next really creates an impact.

Additionally, one thing that is endemic in India is the saving habits in every household. It's an old saying that the more you save, the more financially strong you are. But saving with investing is the new norm being followed nowadays. India being an emerging economy, has always been a favorite shopping outlet for foreign and domestic investors. Pandemic just brought it into the limelight, which further embraced its glow. It was a year when parking funds in the equity markets became a popular activity. A whopping 142 lakh new investors joined the stock markets hence shattering all other previous records. Out of 142 lakh new accounts, around 122.5 lakh were opened in CDSL (Central Depository Services Ltd.) and 19.7 lakh in NSDL (National Services Depository Ltd.). If we carefully look at the data, it clearly shows a massive spike in retail participation in India. Around 44.7 lakh retail accounts have been added in the market out of 142 lakh. Also, the share of individual investors in total turnover on the stock exchange has risen to 45% from 39% in Mar'20. The reason behind the same is excellent returns being provided by the bourses. Moreover, since several people lost their jobs during the pandemic, there was mental pressure on them to earn bread. And this mental pressure drove many people to the markets. And due to continuous unexpected returns, a herd mentality was created in the market, making it the most favorable location to park excessive funds.

To conclude, stock markets had undergone a massive change from when they started. New startups and emerging companies have led this revolution hand in hand with the long-established companies. It is seen that technology was one of the primary drivers of this revolution because investing before that was seen as a tedious activity, but now it has become secure and straightforward. The window for any kind of fraud and malpractice has been closed through proper laws and rules. Moreover, the pandemic provided the people an excellent opportunity to gain appropriate knowledge about stocks, and hence they decided to try their skill and expertise in the stock ring. But this ease of gathering knowledge and getting good returns should never let one ignores the complexity of stock markets. Just because the markets are in a recovery mode doesn't mean earning money will be easy. The stock market has started showing its other side too, which was previously hidden. A bear cloud seems to have cast over the exchanges, and the flop of Paytm is a testimony to this statement. So investing is an activity where one still needs to toil hard. Investing is not a joke, and the increased positive advertisements and the influence of many new TV series should never let one forget about the risks involved in this. To sum up, one should never forget this quote said by the real bull of stock markets- Warren Buffet, "Risk comes from not knowing what you are doing." This means that one should always be aware of his actions in the stock market because forces like fear of missing out and herd mentality are always present to take one's breath away.

BIBLIOGRAPHY:

I. https://scripbox.com/pf/nifty-bees/

II. https://dare2compete.com/blog/upstox-marketing-strategy

III. https://startuptalky.com/zerodha-marketing-strategy/

IV. https://economictimes.indiatimes.com/markets/stocks/news/sebi-comes-out-with-investor-charter/articleshow/87760375.cms

V. https://www.thehindubusinessline.com/markets/stock-markets/demat-acs-set-to-double-with-big-ticket-ipos-on-the-way/article35397851.ece